

Message Text

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SUBJECT: IMF TEAM TO TURKEY

1. DEPARTMENT HAS CONFIRMED AUGUST 25 REPORT IN JOURNAL OF
COMMERCE THAT AN IMF TEAM WILL LEAVE FOR TURKEY SEPTEMBER
5 FOR PRELIMINARY DISCUSSIONS.

2. FOLLOWING IS TEXT OF JOURNAL COMMERCE ARTICLE: BEGIN
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QUOTE. IMF TEAM, TURKEY SET LOAN TALKS BY ALENA WELS
JOURNAL OF COMMERCE STAFF, AN INTERNATIONAL MONETARY FUND
TEAM WILL BE LEAVING FOR TURKEY ON SEPT 5 TO DISCUSS THE
ECONOMIC STABILIZATION PROGRAM, WHICH HAS BEEN HAMMERED
OUT BY THE HARD-PRESSED COALITION GOVERNMENT OF SULEYMAN
DEMIREL OVER THE PAST TWO WEEKS. TURKEY HAS BEEN DENIED A
TERM LOAN BY THE COMMERCIAL BANKS, ALREADY UP TO THEIR EARS

IN TURKISH OBLIGATIONS, AND WILL BE LOOKING TO THE FUND FOR FINANCING TO ENABLE IT TO MEET ITS INTERNATIONAL OBLIGATIONS. THIS SHOULD GIVE SOME COMFORT TO THE COMMERCIAL BANKERS, WHO HAVE BECOME INCREASINGLY NERVOUS ABOUT THE ABILITY OF TURKEY TO REPAY ITS DEBTS. SETTLEMENT OF THE HIGHLY PROFITABLE DOLS 2 BILLION IN CONVERTIBLE LIRA LOANS HAS BEEN DELAYED, SHARPLY REDUCING PROFIT MARGINS TO THE BANKS. BANKERS HERE ALSO REPORT A BACKLOG ON LETTERS OF CREDIT AND OTHER TRADE FINANCING. ONE BANKER, IN CONSTANT CONTACT WITH ANKARA, SAID THIS WEEK THAT THE AUTHORITIES ARE TELLING HIM THAT THEY WILL MAKE EVERY EFFORT TO MEET TURKEY'S OBLIGATIONS. "I HOPE WHAT THEY ARE SAYING IS TRUE", HE ADDED. TURKEY'S RESERVES HAVE DWINDLED TO SOMETHING OVER HALF A BILLION DOLLARS AND FINANCIAL SOURCES ESTIMATE THAT SOME DOLS 1.5 BILLION IN IMPORTS HAVE YET TO BE PAID FOR. THIS LEAVES LITTLE ROOM FOR FURTHER IMPORTS OF ESSENTIALS.

"THEY ARE GOING TO HAVE TO GET MONEY FROM THE FUND IF THEY WISH TO CONTINUE TO GET CREDIT FOR IMPORTS," THE BANKER SAID.

TURKISH SPOKESMEN INDICATE THAT THE NEW STABILIZATION PROPOSALS, DETAILS OF WHICH AREN'T AVAILABLE HERE, SHOULD KEEP THE NATION'S CURRENT ACCOUNT DEFICIT THIS YEAR TO THE DOLS 2 BILLION RECORDED IN 1976. A MAJOR FEATURE OF THE PROGRAM UNCLASSIFIED

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IS TO CUT BACK DRASTICALLY ON NONESSENTIAL IMPORTS.

THE PROGRAM ALSO ATTEMPTS TO TACKLE THE DEFICIT IN THE PUBLIC SECTOR AND TIGHTEN UP ON CREDIT AND MONETARY POLICY. IT IS EXPECTED THAT TURKEY WILL HAVE ADOPTED THESE MEASURES BY MID SEPTEMBER, WHICH SHOULD CONTRIBUTE TO A SIGNIFICANT IMPROVEMENT IN THE NATION'S PROSPECTS IN THE NEXT 12 TO 18 MONTHS.

TURKEY HAS ALREADY MADE AMPLE USE OF ITS REGULAR QUOTA WITH THE FUND AND THE COMPENSATORY FINANCING AND SPECIAL OIL FACILITIES. IT SHOULD BE A READY CANDIDATE FOR SOME OF THE ADDITIONAL FUNDS MADE AVAILABLE RECENTLY BY SEVERAL OIL PRODUCING AND INDUSTRIAL COUNTRIES AS BRIDGE FINANCING UNTIL INCREASED QUOTAS COME INTO EFFECT. TURKEY WON'T BE ABLE TO MAKE ANY FURTHER DRAWINGS, HOWEVER, UNLESS THE FUND TEAM IS SATISFIED WITH THE PROPOSED STABILIZATION PROGRAM. THE SO-CALLED WITTEVEEN FACILITY HAS THE SAME CONDITIONALITY AS THE HIGHER TRANCHES OF THE REGULAR QUOTAS.

IN THE MEANTIME, TURKEY'S SHORTAGE OF READY CASH HAS BECOME SO ACUTE THAT THE BANK FOR INTERNATIONAL SETTLEMENTS

HAS MADE A SECRET LOAN OF DOLS 100 MILLION TO TURKEY TO
HELP IT PAY PRIVATE BANKERS, ACCORDING TO PRESS REPORTS.

IF TURKEY IS ABLE TO OVERCOME ITS IMMEDIATE PROBLEMS, IT
SHOULD HAVE LITTLE DIFFICULTY IN SERVICING ITS LONGER TERM
DEBT. OF ITS DOLS 5.5 BILLION IN FOREIGN DEBT, DOLS 3.5
BILLION IS VERY LONG-TERM INDEED. THE ORGANIZATION FOR
ECONOMIC COOPERATION'S AID TO TURKEY CONSORTIUM HAS, IN
PART, SEEN TO THAT.

BANKERS INSIST THAT TURKEY WILL HAVE LITTLE ALTERNATIVE
BUT TO DEVALUE ITS CURRENCY BY CONSIDERABLY MORE THAN 20
PERCENT. IT ISN'T KNOWN WHETHER A DEVALUATION WILL BE
ANNOUNCED AT THE SAME TIME THE DETAILS OF THE STABILIZATION
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PROGRAM BECOME KNOWN THIS WEEK.

ALTHOUGH REMITTANCES FROM WORKERS IN OTHER COUNTRIES ARE
AHEAD OF LAST YEAR, MANY TURKS WORKING IN GERMANY AND ELSE-
WHERE ARE HOLDING BACK ON THESE IMPORTANT PAYMENTS BECAUSE
OF THE EXPECTATION OF DEVALUATION. EXPORTERS ARE, LIKEWISE
BEING DISCOURAGED FROM EXPORTING BECAUSE OF THE IMPENDING
DEVALUATION. THE SOONER, THEREFORE, THAT IT TAKES PLACE
THE BETTER. END OF QUOTE. CHRISTOPHER

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